

**REPORT OF THE AUDIT OF THE  
DAVIESS COUNTY  
CLERK**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE DAVIESS COUNTY CLERK**

**For The Year Ended  
December 31, 2003**

The Auditor of Public Accounts has completed the Daviess County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting described in Note 1.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and quarterly paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The financial statements of the Daviess County Clerk's 75% fund reflect receipts of \$1,523,287 and disbursements of \$1,336,751 resulting in an \$186,536 fund balance as of December 31, 2003. The 25% county government fund had receipts and disbursements of \$468,556 resulting in a zero fund balance.

For 2003, the County Clerk's fee revenues were \$20,041,783, an increase of \$296,022 over the previous year. Expenditures increased over the previous year by \$321,660 resulting in total expenditures of \$18,049,940. Excess fees were \$1,991,843 increasing by \$75,890 over the prior year. Excess fees were paid to the County Clerk's 75% operating and 25% county government funds maintained by the state.

#### **Debt Obligations:**

The County Clerk leased a vehicle at \$618 per month for 36 months. The total balance of the agreement is \$8,848 as of December 31, 2003.

#### **Deposits:**

As of December 31, 2003 the County Clerk's deposits were insured and collateralized by bank securities; however, as of April 8, 2003, the County Clerk's deposits were uncollateralized in the amount of \$300,757.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Louis Reid Haire, Daviess County Judge/Executive  
The Honorable J. Michael Libs, Daviess County Clerk  
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Daviess County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2003. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues and expenditures of the County Clerk, and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.



The Honorable Louis Reid Haire, Daviess County Judge/Executive  
The Honorable J. Michael Libs, Daviess County Clerk  
Members of the Daviess County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Daviess County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
August 10, 2004



DAVIESS COUNTY  
J. MICHAEL LIBS, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Fees For Services		\$	36,545
Fiscal Court			23,725
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	2,326,070	
Usage Tax		9,888,825	
Tangible Personal Property Tax		6,254,851	
Lien Calls & Fees		17,968	
Title Preparation, Notary, and Affidavit Fees		73,556	
Licenses-			
Fish and Game		8,613	
Marriage		28,566	
Occupational		795	
Beer and Liquor		6,505	
Deed Transfer Tax		311,265	
Delinquent Taxes		273,728	19,190,742
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	59,249	
Real Estate Mortgages		281,787	
Chattel Mortgages and Financing Statements		258,865	
Powers of Attorney		4,893	
Releases		93,035	
All Other Recordings		51,894	
Charges for Other Services-			
Candidate Filing Fees		100	
Copywork		22,382	
Postage		11,679	
Fax and Miscellaneous		3,185	787,069
Interest Earned			3,702
Total Revenues		\$	20,041,783

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
J. MICHAEL LIBS, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
For The Year Ended December 31, 2003  
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,798,928

Usage Tax 9,592,133

Tangible Personal Property Tax 2,009,958

Licenses, Taxes, and Fees-

Fish and Game 8,318

Delinquent Tax 40,982

Legal Process Tax 86,641

Candidate Filing Fees 60 \$ 13,537,020

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 721,494

Delinquent Tax 41,041

Deed Transfer Tax 295,431

Occupational Licenses 518

Beer and Liquor Licenses 6,066 1,064,550

Payments to Other Districts:

Tangible Personal Property Tax \$ 3,272,098

Delinquent Tax 118,769 3,390,867

Payments to Sheriff

12,532

Payments to County Attorney

40,309

Other Charges-

Miscellaneous 4,662

Total Expenditures \$ 18,049,940

Net Revenues \$ 1,991,843

Payments to State Treasurer:

75% Operating Fund \$ 1,523,287

25% County Fund 468,556 1,991,843

Balance Due at Completion of Audit \$ 0

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
J. MICHAEL LIBS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2003

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2003	\$ 0	\$ 0	\$ 0
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75% )	1,523,287		1,523,287
Fees Paid to State - County Funds (25% )		468,556	468,556
Total Funds Available	\$ 1,523,287	\$ 468,556	\$ 1,991,843
<u>Expenditures</u>			
Daviess County Government	\$	\$ 468,556	\$ 468,556
Personal Services-			
Clerk's Salary	86,522		86,522
Clerk's Expense Allowance	3,600		3,600
Deputies Salaries	811,525		811,525
Part Time Salaries	7,278		7,278
Training Incentives	759		759
Employee Benefits-			
Employer's Share Social Security	67,012		67,012
Employer's Share Retirement	62,391		62,391
Employer's Paid Health Insurance	173,506		173,506
Unemployment insurance	1,176		1,176
Other Health Insurance	7,443		7,443
Contracted Services-			
Liability Insurance	5,865		5,865
Equipment Maintenance	5,455		5,455
Data Processing Services	1,702		1,702
Advertising	971		971
Supplies and Materials-			
Office Supplies	17,610		17,610
Recording Books & Supplies	25,196		25,196

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
 J. MICHAEL LIBS, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges-			
Travel	\$ 12,124	\$	\$ 12,124
Equipment Rental	8,320		8,320
Parking	8,580		8,580
Conventions, Conferences	5,131		5,131
Telephone	4,817		4,817
Postage	2,161		2,161
Miscellaneous	2,070		2,070
Cleaning	1,483		1,483
County Clerk Literature	1,092		1,092
Auto Expenses-			
Gas and Maintenance	2,926		2,926
Insurance	1,946		1,946
Usage/Sales Tax	385		385
Capital Outlay-			
Office Equipment	1,291		1,291
Debt Service-			
Vehicle Lease	6,414		6,414
Total Expenditures	<u>\$ 1,336,751</u>	<u>\$ 468,556</u>	<u>\$ 1,805,307</u>
Fund Balance - December 31, 2003	<u>\$ 186,536</u>	<u>\$ 0</u>	<u>\$ 186,536</u>

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2003

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

DAVISS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 8, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$300,757 of public funds uninsured and unsecured.

DAVISS COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2003  
 (Continued)

Note 3. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 8, 2003.

	<u>Bank Balance</u>
FDIC insured	\$ 109,032
Collateralized with securities held by pledging depository institution in the county official's name	1,312,374
Uncollateralized and uninsured	<u>300,757</u>
Total	<u>\$ 1,722,163</u>

Note 4. Lease

The office of the County Clerk was committed to a lease agreement with B.F. Evans Ford for a 2001 Ford Expedition. The agreement requires monthly payments of \$583 for the vehicle and \$35 for usage/sales tax for a total payment of \$618. The total balance of the agreement as of December 31, 2003 was \$8,848.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Louis Reid Haire, County Judge/Executive  
The Honorable J. Michael Libs, Daviess County Clerk  
Members of the Daviess County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Daviess County Clerk for the year ended December 31, 2003, and have issued our report thereon dated August 10, 2004. This was a special report on the County Clerk's financial statements prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Daviess County Clerk's financial statements as of December 31, 2003, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
August 10, 2004

